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Holmes
Committee
New
Cast

17 May 1967

MEMORANDUM FOR:

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SUBJECT: CIA/ORR Contribution to Joint State/Defense Study Group.

1. As I indicated at the recent meeting ORR is prepared to support the Study Group by making available to it all the pertinent material already prepared and by drafting additional comments on the specific questions to which the Group is addressing itself.

2. We have already sent you the existing material that could be collected quickly. Any additional material that seems useful will be sent within a few days.

3. ORR's capability for preparing new material is limited by many competing demands on personnel, including papers requested by the White House and the ING on the same geographic area. Moreover, the questions raised by the Group are so vast that we doubt anyone could do them justice in anything like the time allowed and we have never had occasion to take so broad a look at the area or to do much of the necessary analysis. We are in a position, however, to prepare an essay on general economic trends and prospects in the area which would at least touch upon most of the questions the group is asking.

4. This paper would be mainly concerned with economic growth, overall, and, where possible in industry and agriculture. Past growth trends would be examined and analyzed. In this analysis available information on the determinants of growth and the use of resources would be considered. Prospects for growth in the next 5 years would be discussed and there would be a general and brief consideration of growth possibilities for a longer period.

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17 MAY 1967

5. Problems which are of considerable interest in themselves as well as being important determinants of economic growth would be given particular attention. Accordingly, the paper would discuss:

- a. Trends in and prospects for foreign aid extensions and repayments.
- b. Changes in foreign trade in general and with Communist countries.
- c. Military expenditures as a factor affecting economic growth and in turn influenced by it.
- d. Prospects for intra-regional economic cooperation.
- e. Prospects for and effects of technological change -- we doubt this point deserves the emphasis the Group is giving it; as we see it the problem is less one of acquiring extremely advanced technology than one of obtaining enough capital and know-how to use well-established technology.

6. We will not be able to examine all the pertinent questions for all the countries of the area. These are far too numerous and often the information needed is not available. In some cases groupings of countries will be examined, but generally the emphasis will be on key countries. The area is so diverse, the statistics so uneven and economic performance so influenced by political development that generalizations are extremely hazardous and frequently misleading. This is all the more true of statements about the future and we do not expect to provide a set of projections or predictions. The look at the future would be intended mainly to clarify problems and possibilities.

7. We hope to have a draft of this study available by mid-June but will send you any useful parts as soon as they are completed.

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SSDSG - 010

9 May 1967

TO : Deputy Director for Intelligence

THROUGH:

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SUBJECT: Special State Defense Study Group

1. As the Study is progressing, the Study Group will find itself in need of constant readjustment to meet the spirit, rather than the letter, of the Terms of Reference, the guiding document of the effort. There is rather a lot of thinking dedicated to economico-technological trends with the implication that some miracle in the advanced techniques will so alter the complexion of the area, as to require a radically different approach to its problems.

2. Much thought is being given to nuclear development for power and industrial development. Prospects of improved methods of desalinization are playing an important part in assumption that non-arable lands can be converted to useful agricultural use. The thought obviously runs through that technology will somehow solve political problems.

3. While I don't totally disagree with the thesis, I find the emphasis upon scientific approach to modernization, agronomy, power and irrigation somewhat out of proportion, at the least, for the period under study.

4. I trust that subsequent discussions will underscore a relative implausibility of vast multi-national nuclear power plants, and vast irrigation projects where political incompatibility is involved, or else costs are economically prohibitive.

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5. Another item of importance. As we stand today, the Arab-Israeli dispute is not likely to be a part of the Study. I was advised of this informally, when I alluded to the Arab-Israeli problem as one of the critical situations in the area. I was told that the magnitude of the problem precluded its inclusion in the Study. I was told that the decision was made before I joined the Group. The Arab-Israeli Dispute is not included in the Study outline, although I propose to deal with it under the heading of "Regional Conflicts and Issues".

6. This memo is written to keep you "au courant" of the undercurrents within the Group.

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Noted By D/RR

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2 May 1967

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Members of Holmes Working Group

1. [] OCI, and myself met for about an hour on 1 May with members of Ambassador Holmes' Joint State/Defense Working Group on the Near East, North Africa, and the Horn. The meeting was called at [] suggestion to discuss the Working Group's needs for economic intelligence and CIA's ability to satisfy these needs.

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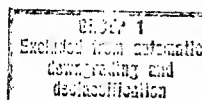
2. The discussion was fairly general and no firm commitments were made, pending the forthcoming meeting between the DD/I and Ambassador Holmes. I did, however, indicate in general terms what kind of contribution we might be able to provide.

3. The Working Group does not expect elaborate numerical projections of economic activity. They apparently will be satisfied with a discussion of the main aspects of economic growth in the countries of the area, including our best estimates of developments in the next 5 years. A longer time prospective should be considered only when we can discern some pretty clear trends. The discussion should touch on all the countries and take up groups of countries where appropriate, but it is understood that very little will be said on some of the countries.

4. [] and I emphasized the strong influence of politics on the economic development of the area and the sometimes great gap between potential and actual rates of economic growth. The Group apparently appreciates that the importance of politics precludes firm economic projections.

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2 MAY 1967

5. I indicated that we would try to show what influence politically-inspired policies have had on the economies of the area and how dependent future growth might be on changes in these policies.

6. I pointed out that technological change is unlikely to be given much weight in the economic paper. This apparently is all right with the Group. What Ambassador Holmes seems to have in mind is to examine technology as a possible basis for US diplomatic initiative rather than as a major influence on the economies in the relevant time span.

7. In general, the Group seems to know very little about the area and to have only the vaguest notion of its objectives. It apparently is willing to accept whatever we provide so long as the contribution is directed at broad trends which would be of possible importance to US policy.

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28 April 1967

MEMORANDUM FOR:

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SUBJECT: ORR Contribution to Holmes Study Group

1. ORR is prepared to support the Holmes Study Group by making available to it all the pertinent material already prepared and by drafting additional comments on the specific questions to which the Group is addressing itself.

2. There exists a voluminous body of information on a great many aspects of the economies covered by the Holmes Group. Available studies cover Communist aid to these countries in considerable detail. There are several substantial reports on economic trends and problems in the UAR. The Maghreb, South Arabia, Libya, the Eastern Arab States, the Persian Gulf, and the Horn of Africa were taken up in contributions to National Intelligence Estimates. The recent Iraqi oil crisis, drought in the Maghreb, and economic prospects for South Arabia are analyzed in recent ORR reports. Textual and statistical information on many countries in the areas was prepared by this Office for briefing purposes. Finally, the General Survey sections of the NIS, which are prepared by this Office, contain a great deal of basic information on most countries of the area.

3. ORR's capability for preparing additional material is limited by many competing demands on personnel, including papers requested by the White House and the IRG on the same geographic area. Moreover, the questions raised by the Holmes Group are so vast that we doubt anyone could do them justice in anything like the time allowed and we have never had occasion to take so broad a look at the area or to do much of the necessary analysis. We are in a position, however, to prepare an essay on general economic trends and prospects in the area which would at least touch upon most of the questions the Holmes Group is asking.

28 APR 1967

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